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"We Have Pursued Two Major Goals:
...Improve The Quality and Reliability of Mail Services
...Reduce Costs"

E.T. Klassen



Financial and Operating Highlights

	Fiscal Years Ended June 30				
	1972	1971	1970	1969	1968
Pieces of mail (millions)	87,156	86,983	84,882	82,005	79,517
% change	0.2	2.5	3.5	3.1	1.5
(in millions of dollars)					
Operating Revenue (FY 1972 details on p. 25)	\$ 7,884	\$ 6,665	\$ 6,347	\$ 6,142	\$ 5,528
% change	18.3	5.0	3.3	11.1	10.9
Govt. Appropriations . . (FY 1972 details on pp. 25 & 26)	1,361	2,086	1,355	884	895
% change	—34.8	53.9	53.3	—1.2	—12.9
Total Operating Expenses . . . (FY 1972 details on p. 25)	9,522	8,955	7,867	7,168	6,544
% change	6.3	13.8	9.8	9.5	6.6
Net Loss (FY 1972 details on p. 25)	175	204	166	143	120
% change	—14.0	22.9	16.1	19.2	—7.7
Fixed assets (net of depreciation) June 30	1,297	1,150	1,049	776	704
% change	12.8	9.6	35.2	10.2	12.5
Equity, June 30	1,548	1,686	1,538	1,150	1,007
% change	—8.2	9.6	33.7	14.2	19.6
(in units as indicated)					
U.S. population (millions), Jan. 1	208.1	206.7	204.4	202.3	200.2
% change	0.7	1.1	1.0	1.0	1.1
Pieces of mail per capita	419	421	415	405	397
% change	—0.5	1.4	2.5	2.0	0.3
Operating Revenue per capita	\$ 37.89	\$ 32.24	\$ 31.05	\$ 30.36	\$ 27.61
% change	17.5	3.8	2.3	10.0	9.8
Accrued Cost per piece of mail	10.93c	10.30c	9.27c	8.74c	8.23c
% change	6.1	11.1	6.1	6.2	5.0
Operating Revenue per piece of mail	9.05c	7.66c	7.48c	7.49c	6.95c
% change	18.1	2.4	—0.1	7.8	9.3
Net Loss per piece of mail	0.20c	0.23c	0.20c	0.17c	0.15c
% change	—13.0	15.0	17.6	13.3	—11.8
Pieces of mail per total postal man year	123,158	120,212	116,931	114,856	114,091
% change	2.4	2.8	1.8	0.7	—1.6
Man years	707,674	723,581	725,913	713,979	696,964
% change	—2.2	—0.3	1.7	2.4	3.1
Employees, June 30	706,400	728,911	741,216	739,002	730,977
% change	—3.1	—1.7	0.3	1.1	2.0

Financial and Operating Details, See pages 24 through 39



Dear Governors:

I am pleased to submit the first Annual Report of the U.S. Postal Service for the fiscal year ending June 30, 1972.

On July 1, 1971, one of the oldest departments of Government became an independent agency with authority to provide mail services to all Americans—our customers.

During this first year, we tackled problems that were decades in the making. We have pursued two major goals: improve the quality and reliability of mail services, and reduce costs.

The first goal was service improvement. While our service performance is still uneven—our tests indicate the mail service overall continues to improve.

Most of the mail is first-class—49 billion pieces out of the 87 billion mail pieces that were delivered last year. 94 percent of the first-class mail deposited by 5:00 p.m. and destined for local delivery is being delivered next day. In smaller communities, this percentage is usually higher.

Another indicator of improved service was a reduction in the average time for delivery. Without regard to the time of day when the letter was deposited or to the distance sent, the average time for delivering each of the 49 billion first-class letters decreased from 1.7 to 1.6 days. In another important category, parcel post, the average time for delivery decreased from 4.9 days during the final quarter of 1971 to 4.3 days in the final quarter of this year.

Management is directing priority attention to improving the consistency of postal service. Service standards, first introduced for airmail, were extended last year to first-class mail. Additional service standards, covering all other mail categories, were being tested as the fiscal year ended.

Transportation services were vastly strengthened by the expansion and increased reliability of an air taxi network linking hundreds of cities in order to meet the demanding airmail service standards. Jet aircraft were used for the first time. We also introduced some high-speed, long-haul railroad runs for the bulk mail which are proving highly effective.

The success of several new postal products was illustrated by the growing demand for Express Mail, a premium service for documents with a high time value, and the Mailgram, a message which combines the speed of electronic communications with the Postal Service's unrivaled delivery network.

A fundamental change is being made in our view of our customers. We are treating them as customers and are undertaking a series of actions to be more responsive to their needs. An intensive effort to improve existing postal facilities so as to better serve customers and provide a modern working environment for postal employees is now under way.

Our second goal was cost reduction. Strong measures have been taken to reduce operating costs. On March 29, 1972, restrictions were placed on the hiring of additional employees. The effect of these restrictions was significant, since 85 percent of the Postal Service's costs are labor costs. In a four-month period, the employment level was reduced, through attrition, by more than 33,000 persons.

The commitment by postal managers, especially in the field, to hold costs in line enabled us to announce in the summer of 1972 that the Service would avoid the previously budgeted \$450 million postage rate increase scheduled for January 1973.

We achieved a significant 2.4 percent productivity gain in the fiscal

year ending June 30. This productivity figure contrasts sharply with gains averaging less than one percent annually through most of the 1960's.

In part, this reflected increased mechanization in mail processing. A larger share of the productivity gain, however, must be attributed to our managers in the field. This year, they had the authority to make more effective use of manpower and other resources.

Despite the productivity gains achieved last year and those projected for fiscal year 1973, postal wage costs are rising significantly. In addition to wage increases amounting to 10 percent for rank and file postal employees in fiscal year 1972, we are committed in fiscal year 1973 to an additional annualized salary increase of 8 percent for these employees. The average postal employee today makes more than \$12,000 annually in salary and benefits.

In the fiscal year ending June 30, 1972, we also embarked on programs that will make the Postal Service more competitive in the decades ahead. A \$950 million network of bulk mail facilities was approved. This is expected to bring large economies in the handling of non-letter mail and significant improvements in the consistency of service.

Still under development and testing is a preferential mail processing concept which could eliminate much of the manual processing of letter mail.

Inevitably, these changes will bring broader career opportunities and greater self-satisfaction for employees and local managers who are willing to be judged by actual accomplishments. Our customers—the American people—will receive better, more consistent service at reasonable prices.

The process of turning around an organization as vast and geographically dispersed as the Postal Service will require time. Given the patience and understanding of our customers, our employees, the news media and the Congress, I am confident that the Postal Service will become a productive and creative force in the coming decade.

E. T. Klassen

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Serving the Customer

The U.S. Postal Service's mandate is that of providing America with reliable and economical mail service.

The responsibility is a large one. More than 40,000 post offices, branches and stations serve communities in every part of our Nation. Postal carriers reach more than 70 million homes, businesses and other institutions.

In the 1972 fiscal year the Postal Service delivered 87.2 billion pieces of mail—approximately the same volume handled in the previous year.

This lack of growth—in contrast to the average annual volume gains of 2.8 percent in the previous five years—is partially attributed to higher postal rates and increased competition for parcel post and other types of mail.

Postal volume and revenue trends by classes of mail are shown in the financial and operating section of this report.

Service Improvements

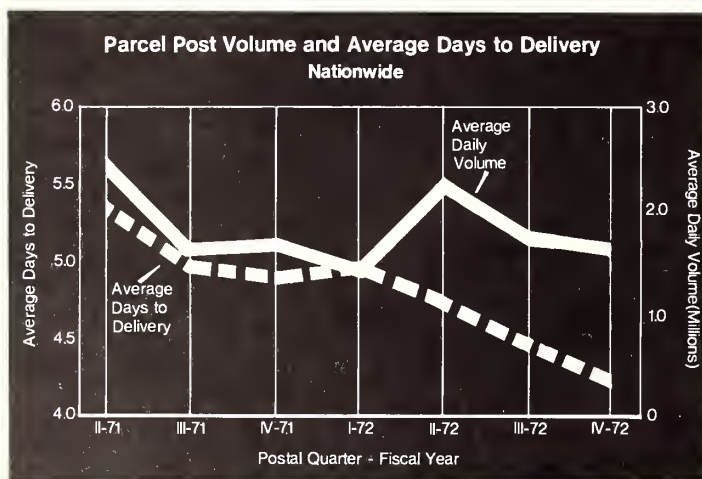
One of the major goals throughout the Postal Service was that of increasing the speed and the reliability with which the mail is handled. With more than 60 percent of the first-class mail staying within metropolitan areas, mail handling plans were developed which could generally assure next-day delivery of this mail.

The new mail-handling procedures made it possible to publish service standards which provide for next business day delivery of more than 95 percent of the local mail which is deposited by 5 p.m. Most post offices consistently achieve these local delivery standards.

In some cases, "local" meant a wide area. The Pittsburgh post office,



The growing use of hampers in the Postal Service made it easier to load and unload trucks linking central processing centers with nearby post offices.



for example, provides next-day service to Western Pennsylvania and Eastern Ohio cities.

Today, the Pittsburgh district is delivering more than 1.25 million pieces of mail daily, about 95 percent on the next business day.

The standards of service for airmail were strengthened. Also, many postmasters added more cities to those which were receiving next day airmail service on a consistent basis.

Performing on schedule is also important for the other classes of mail and, at the year's end, we were testing the development of service standards for parcel post, periodicals and advertising mail, as well as expansion of our present airmail and first class mail standards.

Parcel post service improved significantly during the year. The average number of days to deliver a package, for example, decreased from 4.9 days during the final quarter of 1971 to 4.3 days in the final quarter of this year. Contributing to the improvement were a better transportation network and new concepts for handling parcels within metropolitan areas.

New Processing Concepts

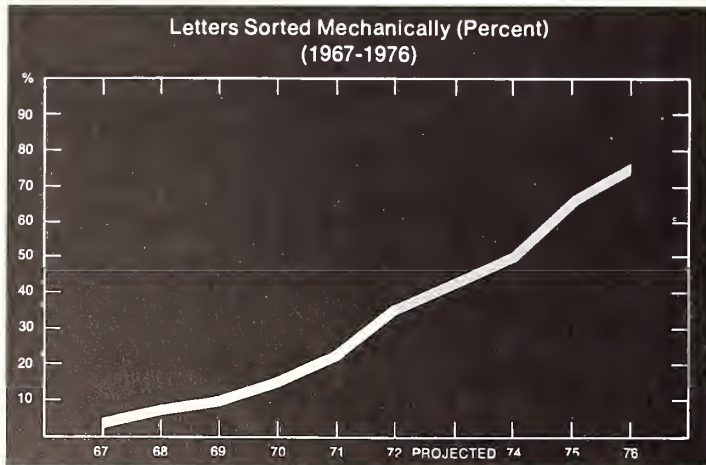
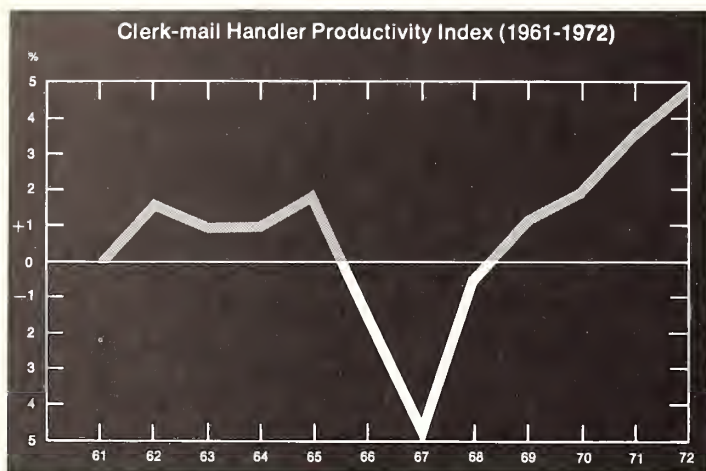
Many postal districts concentrated the processing and sorting of packages in the larger, mechanized facilities. Hampers of parcels are sent from the surrounding post offices to these mechanized centers for sorting.

One of the first districts to adopt this concept was Greensboro, which includes the state of North Carolina. The modern Greensboro facility has the capacity to handle not only intrastate packages but also those coming into North Carolina from other states.

By the close of the year, this type of area parcel post program was functioning in parts of six states. Plans call for the adoption of the concept within nearly all other parts of the Nation this coming year.

Loading trucks at a busy terminal.





Productivity Lifted

The direction in which the Postal Service is moving is suggested by the strong productivity gains achieved in 1972. The 2.4 percent increase in the number of pieces of mail handled per manhour contrasts sharply with gains averaging less than 1 percent annually through much of the 1960's.

This significant productivity increase reflects better management by those local postmasters who are responsible, for the first time, for their own dollar budgets.

New systems for handling the mail also helped boost output. The previously cited centers for processing parcels are an example. Another is Area Mail Processing, perhaps the most important system developed in recent years for increasing productivity. In the smaller cities and villages, letters with non-local addresses are dispatched, without sorting, directly to a central area mail processing office. These centers have the mail volume and mechanization to distribute the mail efficiently to other offices within the area as well as to more distant destinations.

Typically, a center can serve customers and post offices within a radius of from 60 to 90 miles, depending upon highway conditions and population densities.

During fiscal year 1972, the number of area mail processing programs climbed from 91 to more than 200. Within the coming six months, we expect to nearly complete implementation of this program by adding more than 100 areas.

The "massing" of mail at area centers and larger cities has increased the percentage of mail processed with modern equipment. For example, the percentage of letters handled mechanically by letter sorting machines is estimated to have reached 35 percent of the 55 billion letters delivered annually.

Further gains are expected within the coming years as more letter sorting machines are installed and more effective use is made of this equipment.

The key to mechanized letter processing is the big 12-position letter sorting machine. Its effectiveness was strengthened with the installation of a computerized system for "translating" the ZIP code in the address.

In sorting letters, the clerk depresses keys corresponding to the numbers in the ZIP code. The computer then determines the proper bin to which the letter is mechanically conveyed. The ZIP mail translator also permits the use of all 277 bins in the big machine. Human memory limitations previously restricted the bin usage to about 200.

The ZIP mail translator eliminates the need for "scheme" knowledge on the part of the clerk and makes it possible for postal managers to quickly change distribution patterns to meet transportation schedules and mail processing needs at the destination cities. More than ever, the ZIP code is the key to moving the mails promptly.

New Postal Facilities

Seven major postal buildings were completed during the year. They are: Alameda, Calif.; Albuquerque, N.M.; Baltimore, Md.; Chula Vista, Calif.; Kearny, N.J.; Memphis, Tenn.; and Northern Virginia.

In addition, scores of new facilities of more than 50,000 square feet of floor space were being planned or designed or were under construction.

Under programs carried out by the regions—those of less than 50,000 square feet—some 2,300 building projects were in the various stages of development.

Obligations for new plant and equipment were up threefold in fiscal 1972, to a record \$725,000,000.

An intensive program is under way to upgrade existing postal facilities and provide a modern working environment for postal employees.

In the first phase, nearly 800 of the larger post offices were surveyed to pinpoint needed improvements in working conditions. The findings and

Letter sorters and other machines were handling a growing percentage of the mail.



recommendations were then reviewed and actions implemented locally by the postmaster and his management staff. Another step of the program involves some 1,600 buildings in the ten largest metropolitan areas.

Eventually, approximately 32,000 post office buildings will be studied, and it is anticipated that about half of them will require improvements.

Transportation Services Strengthened

The surface transportation network was substantially improved with the establishment of express trucks and special mail trains geared specifically to our mail processing requirements.

We are moving time-value publications, perishables and other preferential surface mail between Atlanta and Los Angeles, for example, in 52 hours instead of the 100 hours required for "piggy-back" rail shipments.

At the close of the year, there were 72 primary truck and rail routes in the national network.

For publishers of time-value publications—which are accorded preferential treatment—the high-speed truck and train runs are improving service by days. The route contractors must also have the capacity of handling perishables, such as baby chicks, bees and fruits.

Airmail service was also improved with the expansion of the air taxi

network. Private firms contract, typically, to provide air service between the medium-sized cities where the scheduled airlines are not offering service at suitable hours. Often the small propeller-driven plane is transporting up to 2,000 lbs of mail within a 200-to-400-mile network.

Usually, these planes are flying from 8 p.m. to 4 a.m. as they bring airmail from post offices into one of the larger cities—or transportation hubs—within a state or two-state area. Between midnight and 2 a.m., the small planes are unloading and taking on outbound mail for delivery to satellite cities.

In some parts of the Nation airmail service has been affected by the sharp reduction in the number of scheduled jet flights during the late evening hours. In the Eastern part of the United States, where the problem was most acute, we contracted for jet-plane air taxi service which is now linking more than 20 regional transportation centers during the critical night hours.

One of the eight round-trip jet air taxi routes links Philadelphia and Columbus. Here the last scheduled flight to Columbus left Philadelphia at 7:55 p.m., which meant that a large percentage of the Ohio-bound airmail would be stuck there through the night.

Instead, the small twin-jet air taxi is departing at 11:35 p.m., arriving in the Ohio city at 12:45 a.m.

The service benefits of the jet service extend far beyond the two cities. The Philadelphia flight takes airmail originating within 100 miles—much of it brought into the Philadelphia airport by the smaller air taxis from cities as far distant as Harrisburg and by truck from more nearby post offices.

In Columbus, a similar network of planes and trucks rushes this top priority mail to Detroit, Cleveland, Akron, Cincinnati and many other Ohio cities.

Surface Mail Delivery

Route	Monday 5 p.m. Mailings		
	Prior Delivery Day	New Delivery Day	Improvement Hours
Washington-Cincinnati	Friday	Wednesday	48
New York-Jacksonville	Thursday	Wednesday	24
Chicago-Salt Lake City	Saturday	Thursday	48
Dallas-Atlanta	Saturday	Thursday	48
Atlanta-Los Angeles	Monday	Friday	72

These service improvements illustrate how transit time was reduced with the development of a network of high-speed truck and rail runs. The network of more than 72 routes is linking all parts of the U.S.

More than 20 metropolitan centers are linked in the new jet-plane taxi network.



Flying during the middle of the night, the speedy air taxis are providing more next day service for airmail



Mailgrams become written messages at Post Offices.

New Postal Products

While we were developing better and more reliable means of handling and transporting billions of pieces of mail, we were also continuing to test new postal products and services.

One of the most promising new products has been the Mailgram which combines the speed of telecommunications with the Postal Service's unrivaled delivery network. This year we signed a long-term agreement with Western Union to continue and expand the service.

Mailgram messages are generated by Western Union business customers with Telex and other equipment providing access to this company's lines. In some parts of the country the general public can now telephone in their Mailgram message to a Western Union office, which then sends the message to one of the 114 post offices that have been equipped with a teleprinter. Mailgrams received in the evening are being delivered the next day with other mail with a reliability of more than 99 percent.

Mailgram volume climbed from 1.2 million in 1971 to 4.9 million this past year.

Another successful new service is Express Mail, an experimental product that won wide acceptance during the year. The overnight delivery of pouches between businesses in distant cities on a money-back basis became particularly attractive to financial institutions, publishers and others sending material with a high time value.

Businessmen can have Postal messengers pick up their pouch toward the close of the business day. At the destination city, another Postal messenger makes delivery in the morning.

Variations of the Express Mail contracts provide for customers bringing or collecting their pouches at our airmail facilities. And those sending pouches on an irregular basis can make dispatches from designated postal stations within a network of 33 major cities.



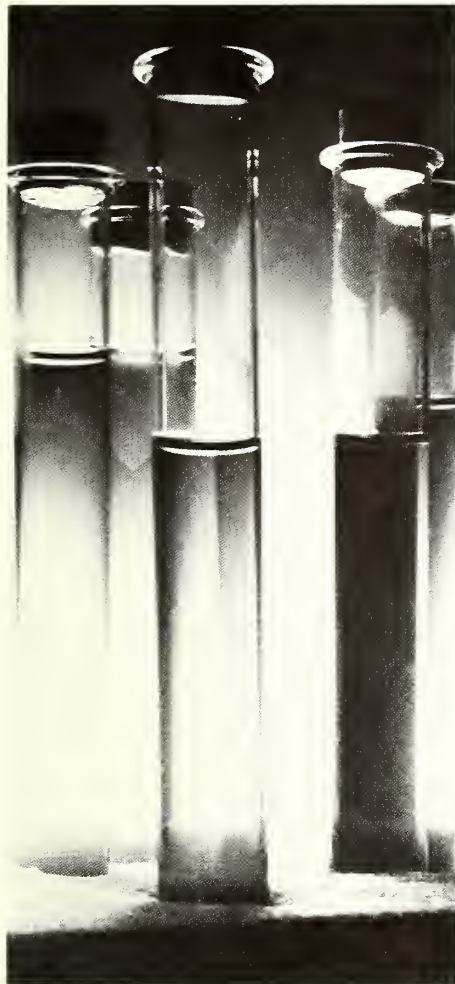
A Portland, Oregon, Medical Laboratory provides an illustration of how Express Mail is helping one company meet critical time schedules. The firm increased the number of cities it is reaching by Express Mail from eight to twenty-four during the year.

Here is how it is using the service: In major cities across the U.S. laboratory employees collect samples taken during the day by physicians. These are then packed in one or more large containers for delivery to a postal agent at the airport. The package can be in Portland within hours.

The firm is also using Express

Mail to get the reports back to physicians as fast as possible. If the analysis is not a complicated one, doctors are usually receiving their reports in less than 48 hours after the sample was taken.

Express Mail is speeding medical samples to distant laboratories within hours.



Books helped spur an interest in this hobby.



Stamp Collecting Grows

We are also stimulating a greater interest in the collection of stamps and their history in several ways.

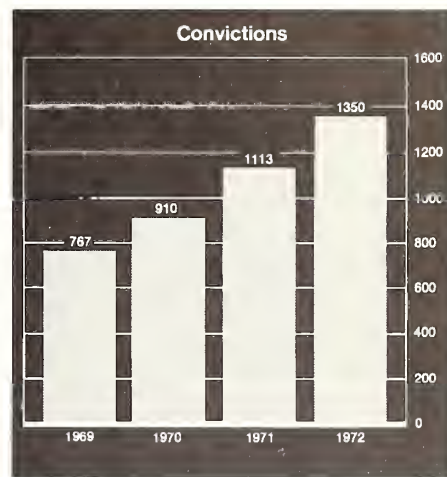
An example is the publication of the paperback book, *Stamps and Stories*, which reproduces in full color popular U.S. stamps and provides stories which can interest youngsters in taking up the hobby. This new book is sold through local post offices.

We are also making it easier for customers to select stamps of philatelic interest. An automatic distribution service was started on a pilot basis with the first program offering souvenir pages concerning U.S. Stamps to those making a \$10 deposit.

Philatelic outlets, or special windows, have been opened in many of the larger post offices. They are making it possible for collectors to obtain older commemoratives and other special issues which were formerly available only by mail order.

By creating more interest in the collection of stamps and making it more convenient for customers to select them, philatelic sales will continue to grow.

Mail fraud convictions continued to rise.



The Inspection Service

The Postal Inspection Service—the law enforcement arm of the Postal Service—also has a major consumer protection responsibility at the Federal level. The Inspectors have investigative jurisdiction over fraudulent and false representation schemes to obtain money or property through the use of the mails.

The Service received a total of 125,000 complaints in fiscal Year 1972 and investigated a wide variety of promotions, ranging from fly-by-night ventures, designed to quickly separate the unsuspecting victim from his hard-earned money, to medical quackery cure-alls, to huge financial swindles.

Inspection Service investigative and preventive efforts to reduce losses from post office burglaries have met with dramatic success. Stamp and cash losses, which totaled \$3.2 million in Fiscal Year 1970, were down to \$1.3 million in Fiscal Year 1971 and further reduced to \$470,000 in Fiscal Year 1972.

POST OFFICE

MONTE RIO CALIF 95402



Postal People

People are the Postal Service's prime resource, as well as its largest expense. Approximately 85 percent of the total operating expenses were spent on employee salaries and related expenses. During the year the total Postal labor force was reduced by 22,511 to 706,400 as employees retired and resigned from the Service.

New Hirings Restricted

In the final quarter of the year a hiring freeze was also imposed in an effort to reduce expense and make effective use of manpower. Critical vacancies were filled by promotion, transfer or reassignment of career employees.

On June 5, postal employees with the required number of years of service were given an opportunity to retire early in accordance with the discontinued service provisions of Civil Service instructions. By the end of the fiscal year, 7,155 persons had taken advantage of this early retirement provision. Another 1,145 left the Service for disabilities and 10,008 retired under the traditional Civil Service retirement plan. Altogether, 18,298 employees retired between June 5 and June 30. Here again, vacancies created by retirement provided opportunities for the promotion of other career employees.

Pioneer Labor Agreement

On July 20, 1971, a pioneer two-year labor agreement was reached with the postal labor organizations which held national exclusive recognition rights. Recognition is provided in accordance with the provisions of the Postal Reorganization Act of 1970.

The contract includes employee wage increases and job security provisions assuring employee protection against layoff for the duration of the contract. The agreement contains provisions for necessary management prerogatives designed to achieve increased productivity and modernization of

the mail system. The Agreement also includes provisions for moving toward an all regular postal work force, with a goal of 90 percent full time employees set for all offices having more than 200 employees.

Opportunity grew in other areas, too, during 1972. The merit system of appointing postmasters continued, and nearly 6,000 have been appointed since the position was removed from the political sphere—nearly all of them career employees. In each instance qualified applicants were named solely on merit and capability.

The accelerated mechanization of the Postal Service has created a need for additional mechanics and technicians to maintain and operate mail processing equipment. Personnel departments in every major office advise employees on how to qualify for higher-level jobs. Postmasters in smaller post offices now have an opportunity to advance to larger offices.

Other actions taken during the year to improve the efficiency of the Postal Service had an important by-product of providing additional promotion opportunities for postal employees.

Training of Postal managers was also strengthened.



Career opportunities for personnel of minority groups were reflected in the establishment of an Office of Social Priorities. The Postal Service Equal Employment Opportunity program, developed and supervised by this office, goes beyond the usual prohibitions against discrimination. The program calls for each Postal manager to formulate an affirmative program to provide career opportunities for minority-group persons within the Service.

Article II of the Postal Service's National Agreement forbids discrimination based on race, color, religion, sex or national origin. Also included is non-discrimination because of age, marital status, or physical handicaps.

During this first full year of operation, the Postal Service carried out the spirit and intent of the provisions of the Postal Reorganization Act by establishing procedures to assure its officers and employees meaningful opportunities for promotion and career development.

Training Programs Strengthened

Career opportunities are enhanced through the training of employees. In 1972 the Postal Service extended its already-broad training program. The Postal Service Management Institute (PSMI), which has its headquarters in Bethesda, Md., opened branches in New York, Chicago, and Los Angeles. PSMI, as its name implies, concentrates on the techniques of management, and its courses usually are fairly formal and tightly structured.

PSMI also started setting up Postal Employee Development

Centers destined for many of the major post offices. The first ones were being developed toward the end of the fiscal year. These centers emphasize orientation and training in the basic postal crafts and also afford postal employees an opportunity to update their basic education. Many of the courses in these centers stress self-learning through the use of such modern techniques as video tape and teaching machines.

The Oklahoma Postal Training Operations (OPTO) in Norman, Okla., restructured a number of courses during 1972 to put more emphasis on the maintenance of such sophisticated equipment as optical character readers and ZIP mail translators. By relying less upon outside contractors for such services, we were able to provide maintenance more responsively and at less cost.

OPTO also launched, at the beginning of Fiscal 1972, a correspondence course program, which enables postal employees to sharpen their skills through studying at home. Courses range from managing a post office to the basics of mathematics and electronics. Since its start in 1971, more than 47,000 postal employees have enrolled in home-study courses.

Improved Security

In 1972 increased security—both for Postal personnel and the mail—was achieved with the introduction of the new Security Force concept in 51 major facilities, bringing the total number of mail processing plants having this protection to 65. By the close of the year more than 1,600 trained Security Force members were on duty at these major facilities. In addition, another 300 Security Force members were assigned to 38 Postal facilities housing Federal Courts. Here, their primary responsibility was providing security outside the courtrooms.



Mechanization is increasing the demand for trained technicians.



Building for Tomorrow

In preparing for America's postal needs in the decades ahead, the Postal Service is building a network of new facilities and testing entirely new systems for moving the mails.

Postal engineers and management are seeking methods which could yield significant operating economies, provide more reliable service and reduce damage to the mails.

Bulk Mail System

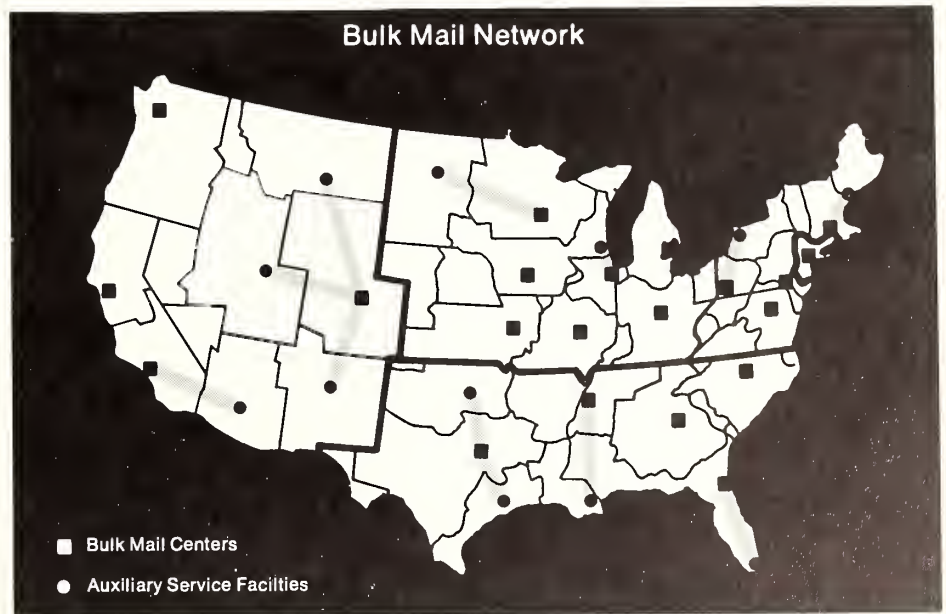
This year, the Board of Governors authorized implementation of the National Bulk Mail System, providing 21 major centers and 12 satellite facilities to form a nation-wide system for handling packages, magazines, catalogs, books and advertising mail.

When completed, the \$950 million investment in plant and machinery is

expected to provide an excellent financial return, with significant improvements in the consistency of service.

Each of these strategically located centers will process bulk mail for post offices and stations within a radius of from 100 to 200 miles. Construction will follow techniques similar to those employed in private industry, using several standard light industrial building designs and commercially available equipment. Completion of the first bulk mail center—for New York City—is expected in fiscal year 1974.

The operation of the Bulk Mail Center processing plant is based on the utilization of new equipment concepts designed to keep the mail continuously on the move from arrival to departure.



The large New York facility will be the first of 21 bulk mail facilities.

Building for tomorrow.



Guiding the "River of Mail."



New Delivery Methods

In delivering mail to customers, we are also testing procedures which are reducing costs and often providing a wider range of services to our customers.

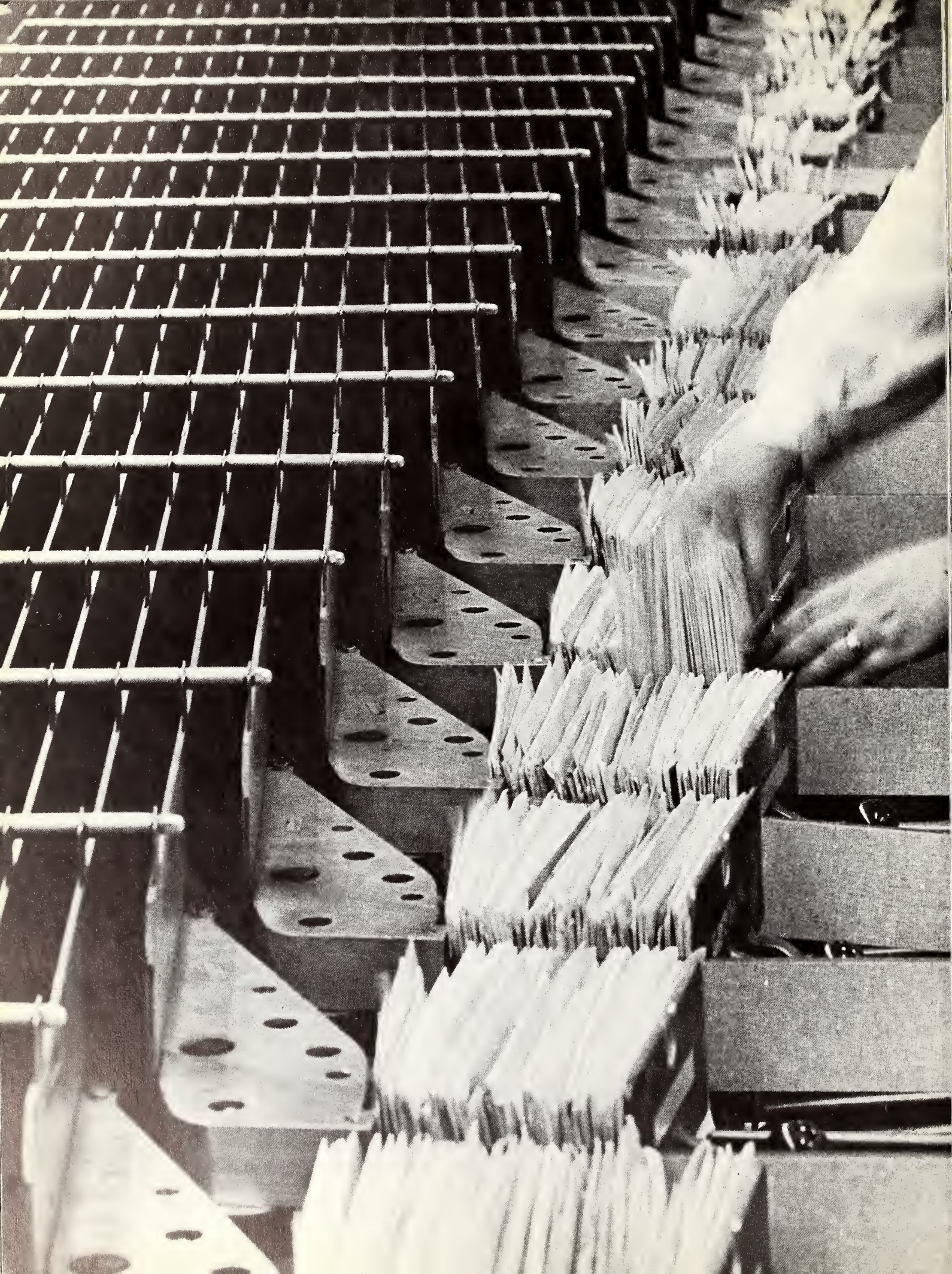
In garden-type apartment developments, up to 250 families are being served from one "postal center" which also offers customers stamp vending facilities and a place to deposit their mail.

With an estimated 14 million postal customers changing their addresses during the course of a year, forwarding their mail and providing change of address information cost more than \$100 million annually.

In Charlotte, N.C., and several other cities, we're testing a new system of "marking up" mail which could substantially reduce our costs. More importantly, it provides much more accurate change of address information. Instead of each carrier manually providing the address changes, preprinted labels are now applied to the mail to be forwarded and to address correction forms.

TV screens monitor conveyor belts.





Financial and Operating Report

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Operating Report

Postal Business

In the fiscal year ending June 30, 1972, mail volume reached a record 87.2 billion pieces, up from 87.0 billion pieces in 1971. The higher rates effective May 16, 1971, were a factor in slowing the rate of growth.

Total income for 1972 increased \$595 million or 6.8 percent over last year.

Total expenses incurred increased \$567 million or 6.3 percent from last year.

Mail Volume

While total mail volume increased little, significant changes were taking place in the individual mail classification categories.

First class mail volume had the largest decrease—1.1 billion pieces or 2.2 percent. This category accounts for 56.1 percent of total mail volume. Third class mail volume showed the largest increase—1.4 billion, or 6.7 percent. This category accounts for 25.1 percent of total mail volume.

Postal Rate Developments

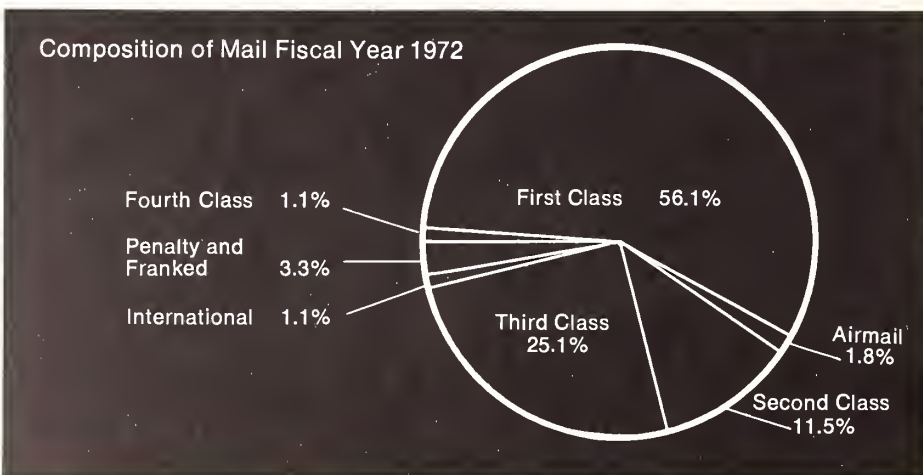
On June 28, 1972, the Governors of the Postal Service approved the recommended decision of the Postal Rate Commission, bringing to a close the first rate proceeding under the Postal Reorganization Act. The proceeding before the Postal Rate Commission had, over a period of 16 months, involved hundreds of hours of testimony, a 13,000 page transcript, and thousands of additional pages of arguments and analyses.

The Board of Governors ordered the new rates to be placed into effect on July 6, 1972. Except for some relatively small changes, the approved rates were the same as the temporary rates in effect at the time of the decision. The temporary rates which were implemented in May 1971



Pieces of mail (in billions)

Mail classification	Fiscal year 1972	Fiscal year 1971	Percent 1972 1971 change
Domestic:			
First class	48.9	50.0	-2.2
Airmail	1.6	1.7	-5.3
Second class	10.1	10.1	-0.8
Third class	21.9	20.5	6.7
Fourth class	0.9	1.0	-5.5
Penalty and franked	2.9	2.8	4.0
International	0.9	0.9	1.5
Total mail	87.2	87.0	0.2



remained in effect throughout fiscal 1972; however, because appropriations failed to meet the required and requested level for revenue foregone, the regular third-class postage rates were further increased, under the temporary rate authority, in March, 1972.

Rate increases contributed some \$1.2 billion in additional revenues from our customers, in 1972.

Revenue and Income

Operating revenue, fees and income provided 84 percent of operating expenses in 1972, up from an average of 80 percent for the period 1969-1971, the final three years of the Post Office Department. Users of the mail paid for a higher proportion of the total costs of operation, thus reducing the Federal subsidy. Appropriations for 1972 were \$1,361,000,000 (see tables on this and next page).

Expenses

Personnel costs in Fiscal Year 1972 increased \$611 million or 8.2 percent from last year. Payroll increases were offset by a 2.4 percent productivity increase and a decline in the number of employees. Personnel costs accounted for 84.8 percent of total expenses in 1972, as compared to 83.4 percent of total expenses last year.

Reduction of overtime also contributed to the more favorable showing. Overtime hours decreased 12.4 percent and the rate of overtime per 100 work hours decreased 9.8 percent from last year.

Net transportation costs decreased \$16 million or 2.5 percent from last year. Transportation accounted for 6.4 percent of total expenses in 1972, as compared to 7.0 percent of total expenses last year.

Net Loss

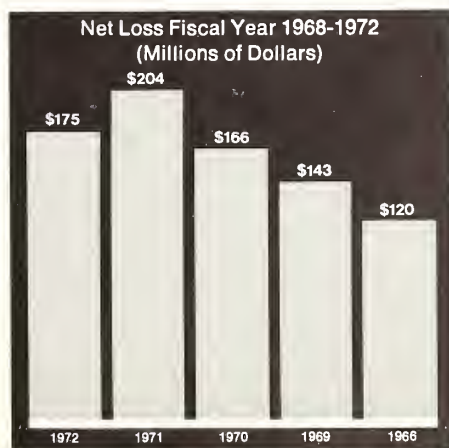
The net loss for 1972 was \$175.4 million, down \$28.3 million or 14.0 percent from last year.

Financial Operations—Fiscal Year 1972

(in millions)

Total Operating Expenses		<u>\$9,522.4</u>
Source of Income:		
Mail revenue		
—postage	\$7,261.5	
—Federal government payments	294.0	\$7,555.5
Special services		343.7
Government appropriations		
—public service costs	920.0	
—revenue foregone subsidy for free and reduced-rate mails	441.2	1,361.2
Other income		101.6
Adjustment for estimated postage in hands of public		(15.0)
Total Income		9,347.0
Net Loss (charge to equity)		175.4
Total Income and Net Loss		<u>\$9,522.4</u>

Note: These figures do not include a \$56.3 million transitional payment for non-funded liabilities of the former Post Office Department.



Analysis of Fiscal Year 1972 Revenue Foregone Subsidy—By Class of Mail
(in millions)

Service Category	FY 1972 Total Income Identifiable by Class of Mail	Source of Income		Subsidy as a % of Total FY '72 Income ^a
		Postage Revenues	Revenue Foregone Subsidy ^a	
First-class mail	\$4,379.1	\$4,379.1	none	none
Domestic airmail	209.9	209.9	none	none
Priority mail	348.3	348.3	none	none
Second-class mail:				
Within-the-county	35.9	9.4	\$ 26.5	73.8%
Outside-the-county:				
Nonprofit publications	72.2	13.6	58.6	81.2%
Classroom publications	6.4	1.8	4.6	71.9%
Regular-rate publications	300.0	144.9	155.1	51.7%
Fees	3.7	3.7	none	none
Transient mail	3.4	3.4	none	none
TOTAL SECOND-CLASS MAIL	421.6	176.8	244.8	
Controlled circulation publications	33.4	33.4	none ^b	none ^b
Third-class mail:				
Single-piece rate	133.9	133.9	none	none
Bulk rate—regular	781.1	781.1	none ^c	none ^c
Bulk rate—nonprofit	213.4	79.3	134.1	62.8%
Fees	11.6	11.6	none	none
TOTAL THIRD-CLASS MAIL	1,140.0	1,005.9	134.1	
Fourth-class mail:				
Parcels (zone rate)	653.1	653.1	none	none
Catalogues	36.7	36.7	none	none
Educational matter	172.6	107.8	64.8	37.5%
Library materials	12.3	4.0	8.3	67.5%
Fees	8.1	8.1	none	none
TOTAL FOURTH-CLASS MAIL	882.8	809.7	73.1	
Federal Government (Franked and Penalty) Mail	294.0	294.0	none	none
Free mail for the blind and handicapped ...	5.6	none	5.6	100.0%
International mail	298.4	298.4	none	none
Unallocated (appropriations shortfall)	(16.4)	—	(16.4)	—
TOTALS	\$7,996.7	\$7,555.5	\$441.2	5.5%

^a In addition to revenue foregone subsidies that are phased over five or ten years, the Congress authorized an additional, continuing subsidy for certain public-benefit mailings (e.g., by nonprofit organizations). This continuing subsidy provides reimbursement for mandated free services and for those postage rates which must by statute be set at a reduced rate which only covers attributable costs and does not help defray the Postal Service's institutional costs. This is a significant additional subsidy in that attributable costs roughly cover only 50 percent of the Service's total costs.

^b \$3.6 million was authorized but not appropriated.

^c \$210.2 million was authorized but not appropriated. On March 12, 1972, third-class temporary rates (for other than nonprofit organizations) were further increased because of this failure of appropriations.

Capital Investment

The net fixed assets of the Postal Service on June 30, 1972, had a valuation of \$1,297 million.

At the close of Fiscal Year 1972, \$715 million of fixed assets were on order, covering projects ranging from building construction and improvements to mechanized mail handling equipment. The \$715 million on order was more than double the fixed assets on order at the close of 1971.

Postal Service Bonds

On January 12, 1972, the Postal Service sold for delivery on February 1, 1972, the first offering of Postal Service Bonds to private investors at 6% percent interest. The total offering of \$250 million was sold through a nation-wide underwriting group to financial institutions, pension funds and individual investors.

The 25 year bonds were available in units of \$10,000 or more, and were authorized under the Postal Reorganization Act, which enabled the Postal Service to borrow funds necessary to carry out its objectives.

The aggregate amount of the borrowings outstanding at any one time may not exceed \$10 billion, and in any one fiscal year the net increase in the amount of obligations issued may not exceed \$1.5 billion to finance capital improvements, and \$500 million to defray operating expenses.

Postal Service Banking

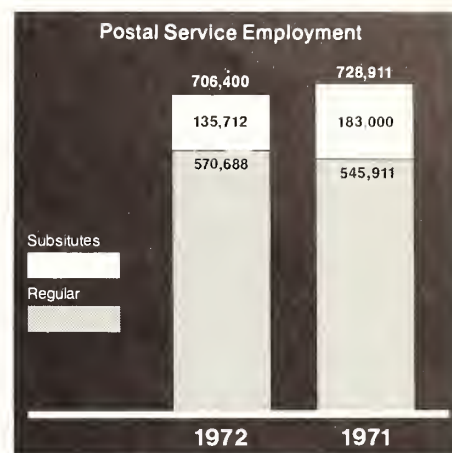
A new banking system was put into effect which utilizes 21 concentration banks to accelerate the flow of daily receipts deposited by Postmasters in over 9,500 local, primary banks. The system provides new controls over timeliness of deposits and ongoing levels of bank balances. Better cash management of these daily receipts is expected to provide more than \$10 million annually in investment income.

Postal Service Employment

The total Postal Service complement was reduced by 22,511 positions (3.1%).

As of June 30, 1972, 706,400 employees were on the payroll.

The following table shows the change in employment by tenure



status. The reduction in substitute and temporary employees was the result of the collective bargaining agreement. The "all regular" program in effect for 1972 directed that all large Postal installations maintain a workforce of at least 90% regular employees.

Parcel sorting equipment



Financial Statements

Balance Sheet, United States Postal Service June 30, 1972

Assets

CURRENT ASSETS	(In Thousands)	
Cash	\$	461,481
U.S. Government securities—at cost (approximate market)		1,372,011
Accounts receivable:		
U.S. Government	\$	171,320
Foreign countries		29,520
Other		6,202
		<u>207,042</u>
Less allowance		<u>6,572</u>
		200,470
Supplies, advances, and prepayments		<u>25,867</u>
TOTAL CURRENT ASSETS		2,059,829
OTHER ASSETS		3,851
PROPERTY AND EQUIPMENT—Note 1		
Land		188,744
Buildings		955,985
Equipment		920,421
		<u>2,065,150</u>
Less allowances for depreciation		<u>768,423</u>
		1,296,727
Construction in progress		339,299
Leasehold improvements, net of amortization		20,183
		<u>1,656,209</u>
		<u><u>\$3,719,889</u></u>

See Notes to Financial Statements

Liabilities and Equity

	(In Thousands)	
<hr/>		
CURRENT LIABILITIES		
Outstanding postal money orders	\$	297,627
Accrued payroll		153,964
Payroll taxes and civil service retirement including amounts withheld—Note 3 ..		119,786
Workmen's compensation—Note 4		41,028
Amounts payable to other U.S. Government agencies		202,833
Other accounts payable and accrued expenses		205,978
Prepaid permit mail and box rentals		101,713
Estimated prepaid postage in the hands of the public—Note 1		315,000
		<hr/>
TOTAL CURRENT LIABILITIES		1,437,929
POSTAL SERVICE BONDS, SERIES A—Note 5		250,000
RESERVES		
Employees' accumulated leave—Note 6	\$	388,841
Workmen's compensation claims, etc.—Note 4		94,813
		<hr/>
		483,654
EQUITY OF THE U.S. GOVERNMENT		
Capital contributions	1,723,741	
Deficit from operations since commencement on July 1, 1971	<hr/> (175,435)	1,548,306
COMMITMENTS AND CONTINGENT LIABILITIES—Notes 7 and 8		<hr/>
		<hr/>
		\$3,719,889

Statement Of Operations and Changes in Equity
United States Postal Service For the Year Ended June 30, 1972

	(In Thousands)	
Operating revenues		\$7,884,188
U.S. Government operating appropriations—Note 2		1,361,200
		<u>9,245,388</u>
Operating expenses:		
Compensation and employee benefits	\$8,078,151	
Other	<u>1,444,227</u>	9,522,378
		<u>276,990</u>
Interest income, net of interest expense		101,555
	NET LOSS	<u>175,435</u>
Equity of the U.S. Government at July 1, 1971 (date of commencement of operations)	1,685,717	
Transfer of additional property by U.S. Government agencies at their net book value in accordance with the Postal Reorganization Act	5,485	
Contributions by the U.S. Government to partially fund annual leave liability at July 1, 1971, and additional 1971 workmen's compensation—Note 2	<u>32,539</u>	<u>1,723,741</u>
EQUITY OF THE U.S. GOVERNMENT AT JUNE 30, 1972		<u>\$1,548,306</u>

See Notes to Financial Statements

Statement of Changes in Financial Position

United States Postal Service, Period July 1, 1971 (date of commencement of operations) to June 30, 1972

	(In Thousands)
SOURCES OF WORKING CAPITAL	
Net loss	\$ (175,435)
Charges to operations not requiring current outlays of working capital:	
Depreciation and amortization	\$ 89,884
Provision for noncurrent workmen's compensation claims, etc.—Note 4	94,813
Increase in employees' accumulated leave	16,045
Total from operations	25,307
Capital contributions by the U.S. Government	38,024
Proceeds of issuance of Postal Service Bonds	250,000
TOTAL SOURCES	313,331
USES OF WORKING CAPITAL	
Additions to property and equipment—net	330,627
Increase in other assets	3,851
TOTAL USES	334,478
DECREASE IN WORKING CAPITAL	\$ 21,147
CHANGES IN COMPONENTS OF WORKING CAPITAL	
Increase (decrease) in current assets:	
Cash and short-term investments	\$ (1,141,118)
Accounts receivable	75,954
Supplies, advances, and prepayments	(25,419)
.....	(1,090,583)
Increase (decrease) in current liabilities:	
Outstanding postal money orders	17,928
Accrued payroll	(130,038)
Payroll taxes and civil service retirement	(8,459)
Workmen's compensation	(16,762)
Amounts payable to other U.S. Government agencies	153,508
Other accounts payable and accrued expenses	48,692
Prepaid permit mail and box rentals	11,895
Appropriations provided for fiscal 1972 operations	(1,161,200)
Estimated prepaid postage in the hands of the public	15,000
.....	(1,069,436)
DECREASE IN WORKING CAPITAL	\$ 21,147

See notes to financial statements.

Notes to Financial Statements United States Postal Service

June 30, 1972

Note 1—Postal Reorganization and General Accounting Policies

The Postal Reorganization Act (Public Law 91-375) established the new United States Postal Service as the successor to the former Post Office Department. In accordance with the provisions of the Act, the Board of Governors established July 1, 1971, as the effective date for the commencement of operations of the Postal Service. With respect to the financial basis for the commencement of operations of the Postal Service, the Act provided as follows:

"The initial capital of the Postal Service shall consist of the equity, as reflected in the budget of the President, of the Government of the United States in the former Post Office Department. The value of assets and the amount of liabilities transferred to the Postal Service upon the commencement of operations of the Postal Service shall be determined by the Postal Service subject to the approval of the Comptroller General (such approval was received on December 16, 1971), in accordance with the following guidelines:

"(1) Assets shall be valued on the basis of original cost less depreciation, to the extent that such value can be determined. The value recorded on the former Post Office Department's books of account shall be prima facie evidence of asset value.

"(2) All liabilities attributable to operations of the former Post Office Department shall remain liabilities of the Government of the United States, except that upon commencement of operations of the Postal Service, the unexpended balances of appropriations made to, held or used by, or available to the former Post Office Department and all liabilities chargeable thereto shall become assets and liabilities, respectively, of the Postal Service."

Property and equipment items added since the commencement of operations, July 1, 1971, are recorded at cost. Renewals and replacements are capitalized when the capacity, operating efficiency, or useful life of the asset is significantly extended. Repairs and maintenance are expensed. Depreciation is provided on a straight-line basis and is computed on asset balances at the beginning of the year. Research and development costs are expensed when incurred; if usable equipment results from such expenditures, it is capitalized at estimated replacement cost.

On July 1, 1971, certain minor equipment items (mail bags, locks, etc.) were transferred from the former Post Office Department to the Postal Service and recorded in the equipment accounts at net book value of approximately \$116,000,000. These items do not lend themselves to normal property control procedures; therefore, effective July 1, 1971, no further depreciation is being taken on these items and new acquisitions of such minor equipment items are being expensed in the year of purchase.

Estimated prepaid postage in the hands of the public represents the estimated revenues collected prior to the end of the year for which services will be subsequently rendered.

Note 2—Operating Appropriations

The Postal Reorganization Act, referred to in Note 1, appropriates to the Postal Service all revenues received by the Postal Service. In addition the Act authorizes to be appropriated to the Postal Service "for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide" the following amounts: For each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department by Congress for its use in fiscal year 1971; and for fiscal years 1980

through 1984, the amount is reduced by 1 percent each year to a level of 5 percent. After 1984, the Postal Service may reduce the amount authorized to be appropriated if it finds the amounts so determined are no longer required to operate the Postal Service in accordance with the policies of the Act.

Further, the Act authorizes to be appropriated each year a sum determined by the Postal Service to be equal to the revenue foregone by the Postal Service in providing certain mail services at free and/or reduced rates.

Amounts appropriated by Congress for fiscal 1972 and recorded as revenues in the accompanying Statement of Operations amounted to \$1,361,200,000 in accordance with the above provisions.

On July 1, 1972, the Postal Service received from Congress its fiscal 1973 appropriations for operations of \$1,377,461,000. In addition the Postal Service also collected on July 1, 1972, \$32,539,000 of capital contributions recorded as a receivable on June 30, 1972, representing \$31,000,000 to partially fund the annual leave liability as set forth in Note 6 and \$1,539,000 additional fiscal 1971 liability for workmen's compensation not previously appropriated.

Note 3—Retirement Program

The Postal Reorganization Act provides that officers and employees of the Postal Service (other than the Governors) shall be covered by the Civil Service Retirement Program and the Postal Service shall withhold from pay and shall pay to the Civil Service Retirement and Disability Fund the amounts specified by such program. The Postal Service contributes 7 percent of gross payroll to the Fund and, in addition, pays to the Civil Service Commission the costs related to the administration of the Fund pertaining to the Postal Service. For the year ended June 30, 1972, such costs incurred by the Postal Service aggregated \$445,746,000.

Note 4—Workmen's Compensation

The Workmen's Compensation program for the Postal Service is administered by the Department of Labor. Prior to July 1, 1971, it was the practice of the former Post Office Department to record as an operating expense each year the amount paid by the Department of Labor to postal employees during the year and billed to the Post Office Department. Beginning on July 1, 1971, the Postal Service is recording as an operating expense in the year of injury the estimated total cost of such claims.

The amount recorded as a current liability at June 30, 1972, includes \$33,173,000 for claims for injuries experienced prior to July 1, 1971, which have been funded by appropriations from Congress, and \$7,855,000 representing the current portion of claims for injuries experienced during fiscal 1972. Amounts estimated to be paid after fiscal 1973 on fiscal 1972 claims are included in the Reserve for Workmen's Compensation claims.

In the opinion of the General Counsel of the Postal Service, \$30,095,000 of claims paid by the Department of Labor in fiscal 1972 for injuries experienced prior to July 1, 1971 (not yet funded by appropriations and thus not recorded on the books of the Postal Service), and all additional future payments on such claims are liabilities of the U.S. Government under the Postal Reorganization Act and will be similarly funded by appropriations out of the U.S. Treasury.

Note 5—Postal Service Bonds, Series A

The Postal Reorganization Act authorized the Postal Service to issue and sell obligations not to exceed \$10,000,000,000 outstanding at any one time. The Trust Indenture dated February 1, 1972, provides for the issuance of \$250,000,000 of 6½ percent Postal Service Bonds, Series A, due February 1, 1997, with interest

payable semi-annually. The bonds are secured by a first lien on the revenues, income, fees, rents, appropriations, and other receipts of the Postal Service; the proceeds of all obligations issued by the Postal Service; and all sinking and improvement funds established pursuant to the Indenture. The bonds are redeemable prior to maturity, at the option of the Postal Service, on or after February 1, 1982, at 100 percent of the principal amount and accrued interest to the date of redemption. On July 31 of each year commencing in 1978, the Postal Service shall make a mandatory deposit in a sinking and improvement fund of a sum equal to \$10,000,000, either in cash or by deposit of Series A Bonds acquired by the Postal Service.

Note 6—Accumulated Leave

Employees are permitted to accumulate certain unused annual leave which is payable when taken, upon severance of employment, or retirement. The former Post Office Department consistently accrued such accumulated annual leave and, at July 1, 1971, such balance was recorded on the books of the Postal Service. In the opinion of General Counsel, the basic rule on the transferability of liabilities set forth in the Postal Reorganization Act applies to accrued annual leave earned but not taken at July 1, 1971, and, accordingly, the U.S. Government is primarily liable on the obligation. The Act does provide, however, that "sick and annual leave, and compensatory time of officers and employees of the Postal Service, whether accrued prior to or after commencement of operations of the Postal Service, shall be obligations of the Postal Service under the provisions of this chapter." In view of the latter language, the General Counsel believes that the Postal Service can appropriately be viewed as being secondarily liable for the accrued annual leave and could be held to make payment thereof if Congress fails to appropriate funds

therefor. As set forth in Note 2, the Postal Service has received appropriated funds from Congress to cover one-twelfth (\$31,000,000) of the annual leave liability carried forward at July 1, 1971, from the former Post Office Department. It is expected that similar annual appropriations will be requested and received until the U.S. Government's primary responsibility for this liability is liquidated.

With respect to accumulated unused sick leave, no accrual is necessary since employees do not have a vested interest in such leave and no amounts are paid unless sick leave is used.

Note 7—Commitments

At June 30, 1972, the estimated cost to complete approved Postal Service capital projects was approximately \$715,000,000.

The Postal Service leases approximately 28,000 postal facilities under agreements which require annual rentals of approximately \$188,000,000 for the fiscal year 1973 and lesser amounts thereafter to the year 2000. Certain of the leases require additional payments for taxes, insurance, and repairs.

Note 8—Contingent Liabilities

In accordance with the Postal Reorganization Act, the former Post Office Department instituted temporary increases in certain postal rates and fees on May 16, 1971, pending the Postal Rate Commission's recommendation on a permanent rate increase. Certain mailer groups sought an injunction against collection of the temporary rates and a ruling as to their lawfulness. A preliminary injunction was denied by the U.S. District Court for the District of Columbia. Thereafter, on July 1, 1971, the same District Court granted the Government's motion for summary judgment. This decision is pending on appeal in the U.S. Court of Appeals for the District of Columbia Circuit. On appeal, appellants have

introduced a claim for refund of alleged overcharges by reason of the temporary increases in rates and fees. In the opinion of General Counsel, the provisions of the Postal Reorganization Act would forbid any refund of any sums paid under temporary rate increases which might subsequently be reduced.

On June 5, 1972, the Postal Rate Commission submitted to the Board of Governors of the Postal Service recommendations for permanent postal rates. The recommended permanent rates, which were substantially the same as the temporary rates, were approved and placed in effect July 6, 1972.

Following the establishment of the permanent rates, certain mailer groups have filed with the U.S. Court of Appeals for the District of Columbia Circuit a challenge to the decision of the Board of Governors. A basic issue in the pending challenge is the action of the Governors in making certain adjustments to regular rate third-class mail rates, following the finding by the Governors that appropriations which would have provided for lower

rates had failed to be enacted by Congress. It is the opinion of General Counsel that the challenge is without merit and no future refunds could be obtained under the Postal Reorganization Act as previously noted.

On August 26, 1971, the U.S. District Court for the District of Columbia entered a consent order establishing an administrative procedure for the disposition of individual claims arising from a decision whereby the former Post Office Department was held liable for the payment of overtime compensation to certain annual-rate regular postal employees for work performed outside their regular work schedules. While these claims, as yet indeterminable in total, may represent a substantial liability, it is the opinion of General Counsel that unobligated balances of prior year appropriations to the former Post Office Department would be available to fund any such liabilities relating to years prior to July 1, 1971, in whole or in part; and that to the extent such unobligated balances are insufficient for full

funding, the Postal Service could request appropriations from Congress. Any such liabilities relating to the fiscal year 1972 are, in the opinion of management, immaterial and will not have a significant effect on the financial statements.

In proceedings before the Civil Aeronautics Board, domestic air carriers are seeking substantial increases in the rates to be paid for domestic air transportation of mail. The final decision of the Board is not expected for several months. Any rate adjustments that may be required by that decision would be made effective retroactively to December 12, 1970.

In addition, there are certain pending suits and claims resulting from traffic accidents involving postal vehicles and injuries on postal properties, and certain suits and claims arising out of postal contracts.

In the opinion of General Counsel, the aggregate final settlement of the above suits, claims, and proceedings will not have a material effect upon the accompanying financial statements.

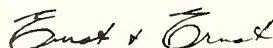
Report Of Independent Accountants

Board of Governors
United States Postal Service
Washington, D.C.

We have examined the balance sheet of the United States Postal Service as of June 30, 1972, and the related statements of operations and changes in equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the United States Postal Service at June 30, 1972, and the results of its operations, changes in equity, and changes in financial position for the year then ended, in conformity with generally accepted accounting principles.

Washington, D.C.
September 29, 1972



United States Postal Service Financial History Summary

	June 30				
	1972	1971 *	1970	1969	1968
	(In Thousands)				
Statement of Operations					
Operating revenue	\$ 7,884,188	\$ 6,664,988	\$ 6,346,655	\$ 6,142,234	\$ 5,528,311
Government appropriations **	1,361,200	2,086,496	1,355,040	883,664	895,204
Total Income	9,245,388	8,751,484	7,701,695	7,025,898	6,423,515
Salaries and benefits	8,078,151	7,467,036	6,524,819	5,901,340	5,357,329
Other expenses	1,444,227	1,488,228	1,342,450	1,267,149	1,186,591
Total Operating Expenses	9,522,378	8,955,264	7,867,269	7,168,489	6,543,920
Operating Loss	276,990	203,780	165,574	142,591	120,405
Other income, net	101,555				
Net Loss	\$ 175,435	\$ 203,780	\$ 165,574	\$ 142,591	\$ 120,405
Balance Sheet					
Assets					
Current assets	\$ 2,059,829	\$ 1,989,212	\$ 1,501,827	\$ 1,214,122	\$ 1,028,164
Property plant & equip. & other assets	1,660,060	1,415,466	1,259,405	972,024	930,344
Total Assets	\$ 3,719,889	\$ 3,404,678	\$ 2,761,232	\$ 2,186,146	\$ 1,958,508
Liabilities					
Current liabilities	\$ 1,437,929	\$ 1,346,165	\$ 890,314	\$ 740,908	\$ 678,663
Reserves	483,654	372,796	333,368	295,404	273,340
Long-term debt—USPS Bonds	250,000				
Equity	1,548,306	1,685,717	1,537,550	1,149,834	1,006,505
Total Liabilities and Equity	\$ 3,719,889	\$ 3,404,678	\$ 2,761,232	\$ 2,186,146	\$ 1,958,508
Analysis of Changes in Equity					
Beginning balance	\$ 1,685,717	\$ 1,537,550	\$ 1,149,834	\$ 1,006,505	\$ 841,735
Deduct:					
Retroactive adjustments recorded at July 1, 1971 ..		(243,678)			
Balance July 1	1,685,717	1,293,872	1,149,834	1,006,505	841,735
Net loss	175,435	203,780	165,574	142,591	120,405
	1,510,282	1,090,092	984,260	863,914	721,330
Add:					
Capital Contributions	32,539				
Government appropriations—Capital **		486,825	380,000	250,000	245,000
Buildings and other transfers to/from government agencies	5,485	108,800	173,290	35,920	40,175
Ending balance	\$ 1,548,306	\$ 1,685,717	\$ 1,537,550	\$ 1,149,834	\$ 1,006,505

* The United States Postal Service was established July 1, 1971. Financial statements prior to that date are those of the Post Office Department. Such statements for 1968-1971 have been restated above to be in a format generally consistent with 1972.

** Prior to 1972, Government appropriations were made to cover entire POD operations and capital commitments. See Note 2 of audited financial statements for 1972 for basis for appropriations.

Operating Statistics

Classes of Mail

Class of mail	(Thousands)				
	1972	1971	1970	1969	1968
<i>1st class:</i>					
Pieces, number	48,933,443	50,035,754	48,640,276	46,411,115	43,182,828
Weight, pounds	1,571,500	1,622,855	1,561,803	1,483,273	1,438,237
Revenue	\$ 4,379,050	\$ 3,506,137	\$ 3,290,755	\$ 3,135,403	\$ 2,721,819
<i>Domestic air:</i>					
Pieces, number	1,359,525	1,457,405	1,533,191	1,657,103	1,948,890
Weight, pounds	71,764	73,328	73,836	78,693	89,265
Revenue	\$ 209,914	\$ 197,879	\$ 201,287	\$ 215,678	\$ 224,999
<i>Priority Mail:</i>					
Pieces, number	207,604	196,963	184,696	178,608	115,884
Weight, pounds	412,196	390,795	370,449	347,168	246,830
Revenue	\$ 348,290	\$ 302,888	\$ 282,449	\$ 269,809	\$ 199,689
<i>2nd class:</i>					
Pieces, number	9,493,992	9,603,669	9,351,493	9,206,290	8,907,065
Weight, pounds	3,125,339	3,282,854	3,417,392	3,441,244	3,344,050
Revenue	\$ 176,787	\$ 156,628	\$ 155,166	\$ 147,410	\$ 133,787
<i>Controlled circulation publications:</i>					
Pieces, number	549,660	522,413	562,449	579,192	485,672
Weight, pounds	207,322	201,264	224,365	217,208	185,942
Revenue	\$ 33,404	\$ 32,324	\$ 35,205	\$ 32,288	\$ 25,864
<i>3rd class:</i>					
Pieces, number	21,907,627	20,532,160	19,974,208	19,621,593	20,664,523
Weight, pounds	2,290,048	2,156,887	2,032,452	2,018,209	1,892,172
Revenue	\$ 1,005,928	\$ 844,162	\$ 827,174	\$ 781,512	\$ 742,867
<i>4th class:</i>					
Pieces, number	914,369	967,653	977,178	1,030,795	1,039,345
Weight, pounds	4,420,787	4,835,869	4,786,440	5,849,577	5,845,019
Revenue	\$ 809,721	\$ 819,337	\$ 777,929	\$ 831,248	\$ 766,952

Classes of Mail

Class of Mail	(Thousands)				
	1972	1971	1970	1969	1968
International surface:					
Pieces, number	361,604	365,281	365,198	335,019	352,925
Weight, pounds	174,438	188,940	191,566	195,992	210,274
Revenue	\$ 73,193	\$ 68,580	\$ 68,164	\$ 67,636	\$ 80,257
International air:					
Pieces, number	554,356	537,450	531,244	491,563	451,044
Weight, pounds	38,988	35,560	34,342	32,489	29,837
Revenue ¹	\$ 225,192	\$ 208,163	\$ 202,265	\$ 187,257	\$ 161,988
Penalty:					
Pieces, number	2,563,516	2,505,925	2,543,695	2,284,330	2,179,506
Weight, pounds	573,247	525,765	539,408	530,271	509,754
Revenue	\$ 272,003	\$ 191,642	\$ 187,587	\$ 171,721	\$ 157,950
Franked:					
Pieces, number	293,186	239,782	202,784	191,305	178,978
Weight, pounds	11,759	8,819	11,472	10,586	12,157
Revenue	\$ 22,000	\$ 14,594	\$ 11,386	\$ 10,161	\$ 9,473
Free for the blind:					
Pieces, number	17,202	18,545	15,421	17,588	10,071
Weight, pounds	38,124	50,459	37,729	51,123	33,950
TOTALS:					
Pieces, number	87,156,084	86,983,000	84,881,833	82,004,501	79,516,731
Weight, pounds	12,935,512	13,373,395	13,281,254	14,255,833	13,837,487
Revenue	\$ 7,555,482	\$ 6,342,334	\$ 6,039,367	\$ 5,850,123	\$ 5,225,645

¹ Includes transit special handling and miscellaneous revenues.

Special Service Transactions

	(Thousands)				
Special Services	1972	1971	1970	1969	1968
<i>Registry:</i>					
Number of articles (paid and free)	65,124	63,779	61,173	58,711	55,873
Revenue	\$ 63,172	\$ 58,550	\$ 51,055	\$ 43,529	\$ 44,293
<i>Certified:</i>					
Number of pieces	67,934	61,654	55,739	57,105	52,273
Revenue	\$ 29,395	\$ 26,986	\$ 24,561	\$ 22,191	\$ 20,895
<i>Insurance:</i>					
Number of articles	107,912	114,062	113,727	128,790	160,935
Revenue	\$ 32,392	\$ 33,771	\$ 32,826	\$ 36,733	\$ 45,270
<i>Collection-on-delivery:</i>					
Number of articles	18,916	19,235	20,075	20,834	21,267
Revenue	\$ 15,522	\$ 15,849	\$ 16,235	\$ 14,512	\$ 15,017
<i>Special delivery:</i>					
Number of articles	85,269	103,567	110,125	121,980	117,309
Revenue	\$ 55,804	\$ 54,864	\$ 55,615	\$ 45,616	\$ 44,276
<i>Money orders:</i>					
Number issued	176,089	179,439	181,750	188,569	196,763
Revenue fees	\$ 54,672	\$ 55,074	\$ 56,174	\$ 59,638	\$ 61,560
Box rents revenue	\$ 58,277	\$ 48,903	\$ 44,106	\$ 41,722	\$ 40,543
Stamped envelope revenue	\$ 15,794	\$ 16,806	\$ 17,662	\$ 17,963	\$ 21,011
Other revenue	\$ 18,678	\$ 11,861	\$ 9,054	\$ 10,207	\$ 9,801
Special services revenue	\$343,706	\$322,654	\$307,288	\$292,111	\$302,666
Mail revenue	\$7,555,482	\$6,342,334	\$6,039,367	\$5,850,123	\$5,225,645
Increase (Decrease) for estimated postage in hands of public	(15,000)				
Operating revenue	<u>\$7,884,188</u>	<u>\$6,664,988</u>	<u>\$6,346,655</u>	<u>\$6,142,234</u>	<u>\$5,528,311</u>

Employees

Employee Groups	1972	1971	1970	1969	1968
(on payroll as of June 30)					
Headquarters employees	2,301	2,611	2,883	2,538	2,489
Field regular employees:					
Regional and other field units					
reporting to headquarters	5,460	5,761	6,663	6,026	5,954
Inspection Service	4,716	2,511	2,112	1,861	1,759
Postmasters	30,731	29,945	29,679	30,970	31,736
Post Office supervisors and technical personnel ..	38,102	37,357	37,412	36,741	34,903
Post Office clerks and mail handlers	250,390	239,571	243,090	244,394	238,774
City delivery carriers and vehicle drivers	174,974	166,006	165,488	163,628	158,104
Rural delivery carriers	31,024	31,131	31,063	30,945	30,856
Special delivery messengers	3,205	2,661	2,656	2,869	2,858
Building and equipment maintenance personnel ...	23,962	22,768	22,235	21,177	20,204
Vehicle maintenance facility personnel	5,823	5,589	5,291	5,032	4,664
<i>Total regular employees</i>	<u>570,688</u>	<u>545,911</u>	<u>548,572</u>	<u>546,181</u>	<u>532,301</u>
<i>Total substitute employees</i>	<u>135,712</u>	<u>183,000</u>	<u>192,644</u>	<u>192,821</u>	<u>198,676</u>
<i>Grand total</i>	<u>706,400</u>	<u>728,911</u>	<u>741,216</u>	<u>739,002</u>	<u>730,977</u>

Offices, Stations and Branches

	1972	1971	1970	1969	1968
(as of June 30)					
<i>Number of post offices, by Class</i>					
1st class	5,192	5,162	4,977	4,949	4,860
2d class	7,436	7,396	7,331	7,348	7,209
3d class	12,468	12,551	12,641	12,894	12,905
4th class	6,590	6,838	7,053	6,873	7,286
<i>Total</i>	<u>31,686</u>	<u>31,947</u>	<u>32,002</u>	<u>32,064</u>	<u>32,260</u>
<i>Number of branches and stations:</i>					
Classified branches and stations	3,729	3,906	3,869	3,824	3,759
Contract branches and stations	4,603	4,437	4,963	5,009	5,516
Rural branches and stations	2,236	1,997	2,278	2,323	2,396
<i>Total</i>	<u>10,568</u>	<u>10,340</u>	<u>11,110</u>	<u>11,156</u>	<u>11,671</u>
<i>Grand total</i>	<u>42,254</u>	<u>42,287</u>	<u>43,112</u>	<u>43,220</u>	<u>43,931</u>

Board of Governors

Senior Postal Service Officers

(as of November 1, 1972)

Charles H. Coddling, Jr.
Rancher and Co-owner,
Coddling Cattle Research Company

Patrick E. Haggerty,
Chairman of the Board,
Texas Instruments, Inc.

Robert E. Holding,
President and General Manager,
Little America Refining Co.

Andrew D. Holt,
Former President,
University of Tennessee

Dr. John Y. Ing,
Dentist and Real Estate Developer

George E. Johnson,
President and
Chief Executive Officer,
Johnson Products Company

Frederick R. Kappel,
Chairman of the
Board of Governors,
U.S. Postal Service

E. T. Klassen,
Postmaster General

Crocker Nevin,
Marine Midland Bank

Myron A. Wright,
Vice Chairman of the
Board of Governors,
U.S. Postal Service;
Humble Oil and Refining Company

E. T. Klassen,
Postmaster General

Benjamin F. Bailar,
Senior Assistant Postmaster General,
Support Group

James P. Blaisdell,
Senior Assistant Postmaster General,
Employee & Labor Relations Group

Paul N. Carlin,
Senior Assistant Postmaster General,
Executive Functions Group

Murray Comarow,
Senior Assistant Postmaster General,
Customer Services Group

Harold F. Faught,
Senior Assistant Postmaster General,
Mail Processing Group

Louis A. Cox,
General Counsel

E. V. Dorsey,
Regional Postmaster General,
Eastern Region

Clarence B. Gels,
Regional Postmaster General,
Central Region

Fridolf G. E. Huleen,
Regional Postmaster General,
Western Region

Harold R. Larsen,
Regional Postmaster General,
New York Region

Carl C. Ulsaker,
Regional Postmaster General,
Southern Region

Board Committees

Audit: Haggerty, Chairman; Coddling, and Nevin.

Finance and Compensation: Nevin, Chairman; Johnson, and Kappel.

Postal Rates: Wright, Chairman; Haggerty, and Holt.

Board Changes

Winton M. Blount, Postmaster General and Chairman of the Board of Governors resigned from these positions on October 29, 1971. On December 7, 1971, Frederick R. Kappel was elected Chairman of the Board and Myron A. Wright was elected Vice Chairman. On January 1, 1972, having resigned as a Postal Governor, E. T. Klassen succeeded to the position of Postmaster General, following his election by the Board. In this capacity, Mr. Klassen continues to serve on the Board. Mr. Merrill A. Hayden became Deputy Postmaster General and a member of the Board September 24, 1971 and served until his resignation September 30, 1972. Theodore W. Braun served as a Postal Governor from January 7, 1971 until his resignation September 27, 1972. Two new members were appointed by the President, following confirmation by the United States Senate: Dr. John Y. Ing on June 22, 1972 and Robert E. Holding on October 26, 1972.

This modern office building in Washington's L'Enfant Plaza will become the Postal Service's new headquarters in 1973. It will enable headquarters personnel to be located in a single building and allow for more efficient use of space. The General Services Administration will undertake a renovation of our former headquarters and use it for general governmental purposes.



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